

Message Text

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ACTION OPIC-06

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

SP-02 LAB-04 SIL-01 OMB-01 /053 W

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R 040930Z APR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 0227

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FOR OPIC

E.O. 11652: N/A

TAGS: EINV, ID

SUBJECT: FOREIGN INVESTMENT IN INDONESIA

REF : STATE 051028

1. EMBASSY APPRECIATES THOUGHTFUL COMMENTS PROVIDED IN REFTEL. WE CONTINUE TO BELIEVE THAT MANY OF INDONESIA'S PROBLEMS IN ATTRACTING NEW FOREIGN INVESTMENT CAN BE TRACED TO LOCAL FACTORS. AS POINTED OUT IN JAKARTA A-42, WHICH WILL BE RECEIVED IN WASHINGTON SHORTLY, INVESTMENT FROM ALL SOURCES HAS FALLEN OFF. CONCERNING THE 14 U.K. APPLICATIONS REPORTEDLY PENDING, WE NOTE THAT THE U.K. (4) AND HONG KONG (8) TOGETHER HAD TWELVE NEW PROJECTS APPROVED IN 1976. DOES ECGD GUARANTEE HONG KONG INVESTMENTS? IF ECGD DOES NOT, WE ARE UNABLE TO ACCOUNT FOR THE COMPARATIVELY LARGE NUMBER OF PENDING UK APPLICATIONS. ON THE OTHER HAND, HONG KONG INVESTMENT MAY BE HOLDING UP BETTER THAN OTHERS BECAUSE OF THE EXTENDED FAMILY FINANCIAL ARRANGEMENTS BETWEEN LOCAL CHINESE BUSINESSMEN AND THOSE IN HONG KONG.

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2. AT THE SAME TIME, OPIC'S POINT THAT US INVESTORS MAY BE SHOWING EVEN MORE CAUTION VIS-A-VIS INDONESIA THAN INVESTORS FROM OTHER INDUSTRIALIZED COUNTRIES IS WELL TAKEN. WE ARE NOT CERTAIN WHY THIS MAY BE BUT WE DO BELIEVE POINTS 2 AND 3 PARA 2 REFTEL MAY GO SOME CONSIDERABLE WAY IN EXPLAINING THIS HESITANCY. WE HAVE OBSERVED THAT NUMEROUS POTENTIAL US INVESTORS WHO

VISIT INDONESIA END UP CONCLUDING EITHER THAT THEY WOULD BE BETTER OFF IN SOME OTHER COUNTRY OR THAT THIS IS NOT THE TIME TO INVEST ANYWHERE.

3. ASIDE FROM UNCERTAINTIES RE GOI ATTITUDE, REASONS MOST OFTEN CITED BY POTENTIAL US INVESTORS FOR NOT INVESTING HERE ARE DIFFICULTIES AND EXPENSE OF DOING BUSINESS IN INDONESIA. THESE ARE OF COURSE "INTERNAL" FACTORS, BUT BOTH MAY AFFECT AMERICAN INVESTORS MORE STRONGLY THAN THOSE OF OTHER NATIONS. REGARDING THE FIRST IT SEEMS UNDENIABLE THAT MANY US BUSINESSMEN ARE UNWILLING OR UNABLE TO INVEST AS MUCH TIME, ENERGY AND PATIENCE AS DO THEIR EUROPEAN AND JAPANESE COMPETITORS IN SEEING THROUGH A PROJECT IN A COUNTRY WHERE BUSINESS CONDITIONS ARE DIFFICULT. SUCH A STATEMENT OF COURSE DOES NOT DO JUSTICE TO THE MANY HARD WORKING AMERICAN COMPANIES WHO HAVE BEEN EXTREMELY SUCCESSFUL OVERSEAS.

4. WITH REGARD TO ILLICIT PAYMENTS, IT IS OBVIOUS THAT THE US DOMESTIC CLIMATE REQUIRES EXTRAORDINARY CAUTION ON THE PART OF US FIRMS OVERSEAS. IN THIS REGARD WE WISH TO DIFFERENTIATE BETWEEN BRIBERY (I.E., PAYING LARGE SUMS TO PERSUADE A PERSON TO DO SOMETHING HE MIGHT NOT OTHERWISE DO) AND "SPEED MONEY" (PAYING TOKEN AMOUNTS TO OBTAIN QUICKER ACTION ON SOMETHING THAT WOULD EVENTUALLY COME THROUGH ANYWAY). WE CERTAINLY DO NOT WANT TO GO ON RECORD IN DEFENSE OF THE LATTER TYPE OF PAYMENT BUT IS OBVIOUS TO US THAT AMERICAN BUSINES FIRMS UNABLE TO MAKE SUCH PAYMENTS ARE GOING TO BE UNDER LIMITED OFFICIAL USE

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A CONSIDERABLE HANDICAP IN INDONESIA.
RIVES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUSINESS FIRMS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770492/aaaadcaj.tel
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